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MINISTRY OF COMMERCE AND INDUSTRY

RESOLUTION

TARIFFS

New Delhi, the 30th July 1951

No. SC(A 2(72)/51.—In their Resolution No. 10-T(3)/49, dated the 13th October, 1949 in the late Ministry of Commerce, the Government of India fixed the current *ex*-works retention prices for different grades of pig iron, based on the Tariff Board's report, for one year with effect from the 1st November, 1949. At the time of its last inquiry, the Board had been given to understand that the new coke oven battery at the Hirapur Works of the Indian Iron and Steel Company, scheduled to go into production in the course of the year 1949, would bring about a definite improvement in the quality of coke and consequent reduction in its consumption, thereby lowering the cost of production of pig iron. The Board, therefore, recommended that the fair retention prices for pig iron should be reviewed at the end of a year. Government accepted this recommendation and decided that the costs should be re-examined after a year. In accordance with this decision, the Board was asked to undertake the necessary review. The Board, having conducted its inquiry, has submitted its Report. Its main conclusions and recommendations are as follows:—

(1) Of the three manufacturers of pig iron in the country, viz., the Tata Iron and Steel Company, the Indian Iron and Steel Company, and the Mysore Iron and Steel Works, neither the Tata Iron and Steel Company nor the Mysore Iron and Steel Works regularly produces foundry grades of iron for sale to merchant foundries. In future, practically all the pig iron manufactured at the Hirapur Works of the Indian Iron and Steel Company (IISCO) will be used for steel making by Steel Corporation of Bengal. Accordingly, the Kulti plant of IISCO should be regarded as the sole regular producer of iron of foundry grade, and the price for iron of such grades must be based solely on the costs of production at the Kulti Works.

(2) The Board has made a detailed analysis and examination of the Works cost of the Kulti plant and has estimated the future works cost of grade III foundry iron at Rs. 83·29 per ton, on the basis of an estimated annual production of 200,000 tons.

(3) In determining the overhead charges, the same principles as had been adopted in the previous report have more or less been followed, except in respect of depreciation. Having regard to the necessity of replacing the present Kulti plant after five or six years, a total provision of Rs. 24 lakhs for depreciation [Rs. 11 lakhs as normal depreciation and Rs. 13 lakhs (gross) as special depreciation] has been recommended.

(4) The Railway Board should be requested to review the question of restoring the original concessional freight rate on the movement of iron ore from Gua to the Kulti Works with a view to assisting the Company to reduce the cost of pig iron.

(5) The minimum pig iron consuming capacity of Indian foundries is estimated at 400,000 to 420,000 tons a year, while the present screened demand is of the order of 600,000 tons a year.

(6) At present only about two-thirds of the minimum and less than half of the annual screened demand of the foundries can be met from available indigenous supplies of pig iron. As the Steel Corporation of Bengal and the Tata Iron and Steel Company proceed to implement their expansion programmes for steel within the next two or three years, the position of supply of pig iron to the foundries will become acute which will have a serious effect not only on industry in general, which requires castings as components of machinery and equipment and as spare parts for maintenance, but also on agriculture as a result of the shortage of agricultural implements and on the Railways as a result of inability to provide replacement parts. Government should, therefore, give their most serious consideration to this problem and take such action as would ensure availability of adequate supply of iron to the general foundry trade, having due regard at the same time to the need of maximising the steel production of the country.

(7) In view of the critical shortage of iron, it is essential that measures should be taken to make available to the foundries those qualities of iron which they require most and can use best. For this purpose, it is necessary that the foundry iron production at Kulti should consist chiefly of the high silicon grades, viz., 2·25 per cent. to 2·75 per cent and 2·75 per cent. to 3·25 per cent.

(8) The current price schedule of pig iron does not provide adequate compensation for the extra cost of producing the types of foundry iron which are required by the Indian foundries with the result that such types are not being produced at present in sufficient proportions. A new formula for differentials has, therefore, been recommended. The Board's formula, while providing proper compensation to the producers for their extra costs in producing the desired grades of iron, would at the same time help the foundries to avoid cost increases resulting from the expensive use of high cost ferro-alloys. It would also give incentive to the integrated steel works to provide iron of more suitable analysis to the foundries.

(9) Based on the new formula for differentials, the following schedule of *ex*-works, retention prices for pig iron has been recommended:—

STANDARD GRADES

(High Manganese)

Grade		Analysis: Silicon per cent.	Manganese per cent.	Phosphorus per cent.	Sulphur per cent.	Proposed ex-works price per ton
						Rs.
Standard foundry	1	2·75—3·25	1·00—1·50	Under 0·40	Under 0·035	118
	2	2·25—2·75	,,	,,	Under 0·050	114
	3	1·75—2·25	,,	,,	,,	110
	4	1·50—1·75	,,	,,	,,	108
Special . .	4X	1·25—1·50	,,	Under 0·35	,,	106
Special basic .		1·00—1·25	,,	,,	,,	104
Standard basic .		1·00 & under	,,	,,	,,	102
			Low Manganese Grades			
Low Manganese foundry.	1	2·75—3·25	0·50—1·00	Under 0·40	Under 0·035	116
	2	2·25—2·75	,,	,,	Under 0·050	112
	3	1·75—2·25	,,	,,	,,	108
	4	1·50—1·75	,,	,,	,,	106
Special . .	4X	1·25—1·50	,,	Under 0·35	,,	104
Low manganese basic special.		1·00—1·25	,,	,,	,,	102
Low manganese basic.		1·00 & under	,,	,,	,,	100

In addition, the following schedule of quality differentials for all grades has been recommended:

Silicon.—Rs. 4 per ton extra for each increase of 0·50 per cent. above No. 1 foundry grade.

Manganese.—Rs. 2 per ton penalty for manganese below 0·50 per cent. and Rs. 2 per ton premium for each 0·50 per cent. increase above 1·50 per cent.

Sulphur.—Penalties for off-grade.—Rs 2 per ton for sulphur up to 0·065 per cent. and under, Rs. 5 per ton for sulphur between 0·066 per cent. and 0·080 per cent., and Rs. 10 per ton for sulphur over 0·080 per cent.

2. The Government of India have accepted all the recommendations of the Board and have decided to fix the *ex*-works retention prices, as above, from the 1st August 1951 for a period of three years. The price increases now granted are subject to the condition that the special depreciation allowed to the Company, namely, Rs. 13 lakhs (gross), is actually set aside for depreciation and used by the Company for replacement of the present Kulti plant and that no part of it is utilised in or towards the payment of any dividends or in the distribution of profit-sharing bonus to employees or for distribution of profits.

3. As regards recommendation (6) referred to in paragraph 1 above, the Government of India are aware of the position and fully alive to the need for supplementing the existing sources of supply. With this end in view, Government have been taking steps to interest private parties to put up one or more new plants to produce 375,000 to 500,000 tons of pig iron.

4. The Government of India hope that the Indian Iron and Steel Company will take steps to implement recommendation (7) referred to in para. 1 above.

5. The selling prices will continue to be on *ex*-port basis and will be Rs. 15 per ton over and above the *ex*-works retention prices.

S. A. VENKATARAMAN, Secy.

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